

October 14, 2009 : Chris Southcott, PhD. and Stephanie Irlbacher-Fox, PhD.

**Priority Project Report:**  
Northern Development Ministers Forum

**Helping Northern Communities Build a Sustainable Future**



# Table of Contents

<b>Executive Summary</b>	<b>2</b>
<b>1. Introduction to the Northern Development Ministers Forum</b>	<b>3</b>
<b>2. Changing Northern Economies Priority Project Introduction</b>	<b>3</b>
<b>3. Changing Northern Economies: International Perspectives</b>	<b>6</b>
<b>4. Changing Northern Economies: The Situation in Canada</b>	<b>8</b>
Resource Dependence	8
Mega-project Development	10
Environmental Issues as a Source of Change	11
Increasing Power of Aboriginal Peoples	12
<b>5. Determining the Opportunities and Challenges of the Changing Northern Economy</b>	<b>14</b>
The Approach	14
Methodology	14
Results of the survey	14
Trends	14
What are the obstacles to further economic development?	17
What approaches have been most successful in overcoming these obstacles?	18
What will be the future change drivers in the northern economy?	19
Partnerships	20
Resource Management	21
<b>6. Best Practices, Challenges and Opportunities</b>	<b>22</b>
Trust and Regional Economic Development Funds	23
Partnerships with Aboriginal governments and communities	23
Impact benefit agreements and socio-economic agreements between industry and Aboriginal peoples, communities, and governments	24
Mechanisms to support regional economic diversification and development impact mitigation	24
Common principles	25
Local resident and community involvement in decision making	25
Sustainability	26
Stability	26
<b>7. Conclusion and Recommendations</b>	<b>27</b>
Changing Northern Economies Priority Project Recommendations 2009	27
<b>References</b>	<b>26</b>
<b>Appendices</b>	<b>31</b>
<b>Appendix A: Background Document for the Project</b>	<b>31</b>
<b>Appendix B: The Questionnaire</b>	<b>33</b>



# Executive Summary

## **Background:**

The annual Northern Development Ministers Forum (NDMF) was established in 2001 to advance the diverse and common interests within northern communities, raising awareness among decision-makers and the public about the accomplishments, contributions and potential of the North. In 2009 the theme for the Forum was changing northern economies. This priority project examines the opportunities and challenges created by changing northern economies. In particular, the project highlights the importance of partnerships in increasing capacity in northern communities and innovative resource management in promoting sustainable community economic development. This report builds on the jurisdictional surveys of the changing northern economies and a literature review of current research.

## **Findings:**

Findings from both the literature review of current research and the survey indicate that while the economy of the Canadian North is changing, it remains heavily dependent on resource-based mega-projects. Resource dependence continues to be the dominant characteristic of the regional economy and the problems associated with this dependence continue. New transportation initiatives, tourism and knowledge-based activities represent the main drivers of economic diversification in the region.

New procedures and partnerships to address concerns relating to environmental impacts and Aboriginal rights have created opportunities for local populations to become involved in economic decision-making. Mirroring the developments in other parts of the Circumpolar North, there is a trend to increasing local empowerment. The resulting power shift may mitigate some of the negative aspects of resource dependence. New partnerships, formed between Aboriginal and other local groups, governments and industry, have the potential to diversify the northern economy and lead to more effective and sustainable forms of resource management. At the same time these partnerships are also enhancing the capacity of these communities to engage in these changing economies.

## **Conclusion:**

The Changing Northern Economies Priority Project has identified that the main growth areas for the region will likely continue to be the traditional resource industries, but with new value-added innovations. Geography and resource dependence remain obstacles to growth, and jurisdictions stress the importance of improving relations with the region's Aboriginal peoples. The policies and programs that have been the most successful in dealing with these challenges are those based on new partnerships with regional populations, and in particular, Aboriginal communities. As new forms of resource management are put into practice, the potential for sustainable economic development in northern communities—through increased community involvement and increased access to human, social, and financial capital—will grow. The report suggests potential areas for further research that could greatly assist governments and local populations in ensuring that future development is done in a sustainable and stable manner.

# 1. Introduction to the Northern Development Ministers Forum

The annual Northern Development Ministers' Forum (NDMF) was established in 2001 to advance the diverse and common interests within northern communities while raising awareness among decision-makers and the public about the accomplishments, contributions and potential of the North. NDMF member jurisdictions include northern economic development representatives from the governments of Alberta, Yukon, Northwest Territories, Nunavut, Saskatchewan, Manitoba, Ontario, Québec, Newfoundland and Labrador, British Columbia and Canada (Indian and Northern Affairs).

The objectives of the Forum are to:

- determine strategic actions, and act and provide leadership with regard to these actions in order to promote northern development;
- reinforce the North's position in provincial, territorial and national priorities;
- reinforce cooperation between northern provincial and territorial authorities and the Government of Canada;
- exchange information; and
- create an annual conference as a forum for Northern Development Ministers to establish priorities.

The annual Forum provides a venue for northern Ministers to communicate, listen to and discover strategies to make positive change in northern Canada through policy and program changes. See [www.focusnorth.ca](http://www.focusnorth.ca) for more information.

## 2. Changing Northern Economies Priority Project Introduction

Northern Canada has long experienced change as both opportunity and challenge.<sup>1</sup> For at least two centuries, the region has witnessed dramatic social, cultural, economic, and political transformation. Transformation has intensified as internal and external forces in combination are rapidly changing the region's social, ecological and economic dynamics.<sup>2</sup> Innovative action and leadership are required to tackle the transformation continuum and address issues ranging from climate change to economic globalization.

Seeing change as an opportunity or as a challenge depends in part on the adaptability of governments and communities. Rather than shielding communities from change, governments can enable communities to become agents of change. To this end governments should focus on opportunities rather than the need to compensate for structural disadvantages of northern areas, such as their reliance on single resource based economies. However, in order to play an enabling role, governments must look beyond traditional sectoral approaches<sup>3</sup> to northern development and adopt an integrative place based approach<sup>4</sup> that addresses the particular needs and potential of individual communities.<sup>5</sup> This report examines the following themes in the context of the opportunities and challenges created by changing northern economies:

- **Partnerships:** have the potential to increase the capacity of northern communities to address the issues they face in developing and maintaining sustainability and resilience. Economic development partnerships can draw together multiple stakeholders, expanding the bottom line to look beyond purely economic outcomes and include the social, cultural and environmental dimensions of community development. Partnerships also facilitate collaboration between different sectors and across local, regional, provincial, and federal domains. In examining the potential of partnerships in northern communities this project seeks to explore the following questions:

*What types of partnerships (regional, local level) have been successful? How was success defined? How have partnerships encouraged resource development? How have partnerships been managed effectively? In what ways have partnerships redefined economic development goals? What have been the benefits and risks of public-private partnerships? How have partnerships with Aboriginal communities enhanced economic development? How does globalization affect partnerships, the way partnerships are formed and with whom they are formed?*

<sup>1</sup> Northern Canada includes the three territories, and the northern regions of Newfoundland and Labrador, Québec, Ontario, Manitoba, Saskatchewan, Alberta, and British Columbia. See Figure 1 for a map of the region.

<sup>2</sup> See Halseth, G. et al. 2006. "The Connected North: Findings from the Northern BC Economic Vision and Strategy Project." *Journal of Rural Community Development*. 3

<sup>3</sup> Rather than forming policy in a more holistic and integrative way, policies based on a "Sectoral Approach" focus on one sector; for example, agriculture, industry, transport, energy, fishing and recreation.

<sup>4</sup> "Place Based Approach" focuses resources and attention on specific geographic areas to address the issues facing that particular community or region.

<sup>5</sup> OECD 2007. "Innovation in Rural Economies: the role of human capital and technology." OECD Rural Policy Conference, Caceres, Spain March 21-23, 2007.



- **Resource Management:** Regional and local northern economies require new approaches to human and natural resource management to deal with changing societies and environments. Though traditional economies are diversified, they have been marginalized. Today's northern communities are largely dependent on single resource economies that leave their well-being vulnerable to fluctuating commodity prices. Resource management must expand to integrate social, technological and cultural capital. This project seeks to examine how resource management, in this broader context, promotes sustainable community economic development in northern communities, by posing the following questions:

*What obstacles to resource management exist in the North? What strategies have been the most successful in managing human, natural, cultural and social resources? How was success defined? How do communities participate in resource management? How do partnerships affect resource management? How does globalization affect resource management?*



Figure 1: Map of Regions of Northern Canada (Source: [www.focusnorth.ca](http://www.focusnorth.ca))

### 3. Changing Northern Economies: International Perspectives

There are several definitions of northern Canada. This report uses that of the Northern Development Ministers Forum which includes the three territories of the Yukon, Northwest Territories and Nunavut, and the northern areas of the provinces of Newfoundland and Labrador, Québec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia.<sup>6</sup> This region is made up of two closely related environmental regions or biospheres: the Arctic and the Subarctic. These regions do not stop at Canada's borders; they extend across the globe and are shared with other circumpolar countries. It is useful to start our discussion of the changing economies of Canada's North by looking at changes in other regions of the Circumpolar North.

At first glance, a review of international trends shows that the economic structure of the region continues to depend on resource development. Those regions that have seen growth are those that are dependent on natural resource commodities that are currently in demand in the world market. In Russia, the Sakha Republic has benefited from diamond mining started in the 1990s and from continued gold mining.<sup>7</sup> Former Soviet mining centres such as Norilsk, which saw their economies collapse with the dissolution of the Soviet Union, started to recover in the late 1990s and until recently have been some of the most important growth centres in the Russian Republic. In most other northern areas of Russia growth has been the result of the development of the oil and gas industry. Similarly, the most important economic growth engine in northern Norway and Alaska is also oil and gas. Even in northern Sweden, where the minerals bust of the 1980s forced an effort at diversification in

<sup>6</sup> The exact nominal boundaries of the region defined as the North by the Northern Development Ministers Forum are indicated by the map in Figure 1.

<sup>7</sup> For a discussion of economic developments in Russia including its northern regions see World Bank, *Russian Economic Reports*, 2001 to 2008. Accessed at <http://go.worldbank.org/6H8RBYQ7G0>.

- **Resource Management:** Regional and local northern economies require new approaches to human and natural resource management to deal with changing societies and environments. Though traditional economies are diversified, they have been marginalized. Today's northern communities are largely dependent on single resource economies that leave their well-being vulnerable to fluctuating commodity prices. Resource management must expand to integrate social, technological and cultural capital. This project seeks to examine how resource management, in this broader context, promotes sustainable community economic development in northern communities, by posing the following questions:

*What obstacles to resource management exist in the North? What strategies have been the most successful in managing human, natural, cultural and social resources? How was success defined? How do communities participate in resource management? How do partnerships affect resource management? How does globalization affect resource management?*



Figure 1: Map of Regions of Northern Canada (Source: [www.focusnorth.ca](http://www.focusnorth.ca))

### 3. Changing Northern Economies: International Perspectives

There are several definitions of northern Canada. This report uses that of the Northern Development Ministers Forum which includes the three territories of the Yukon, Northwest Territories and Nunavut, and the northern areas of the provinces of Newfoundland and Labrador, Québec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia.<sup>6</sup> This region is made up of two closely related environmental regions or biospheres: the Arctic and the Subarctic. These regions do not stop at Canada's borders; they extend across the globe and are shared with other circumpolar countries. It is useful to start our discussion of the changing economies of Canada's North by looking at changes in other regions of the Circumpolar North.

At first glance, a review of international trends shows that the economic structure of the region continues to depend on resource development. Those regions that have seen growth are those that are dependent on natural resource commodities that are currently in demand in the world market. In Russia, the Sakha Republic has benefited from diamond mining started in the 1990s and from continued gold mining.<sup>7</sup> Former Soviet mining centres such as Norilsk, which saw their economies collapse with the dissolution of the Soviet Union, started to recover in the late 1990s and until recently have been some of the most important growth centres in the Russian Republic. In most other northern areas of Russia growth has been the result of the development of the oil and gas industry. Similarly, the most important economic growth engine in northern Norway and Alaska is also oil and gas. Even in northern Sweden, where the minerals bust of the 1980s forced an effort at diversification in

<sup>6</sup> The exact nominal boundaries of the region defined as the North by the Northern Development Ministers Forum are indicated by the map in Figure 1.

<sup>7</sup> For a discussion of economic developments in Russia including its northern regions see World Bank, *Russian Economic Reports*, 2001 to 2008. Accessed at <http://go.worldbank.org/6HBRBYQ7G0>.

communities such as Gallivare and Kiruna, growth has been largely the result of a revitalized demand for iron ore.

Researchers in the 1980s and early 1990s pointed to the success of Norway, Sweden and Finland in developing strong regional centres in the northern areas of their countries. Cities such as Bodo and Tromso in northern Norway, Umea and Lulea in northern Sweden and Oulu and Rovaniemi in northern Finland benefited by a concerted effort on the part of these national governments to turn these communities into important centres of higher education and knowledge industry incubators. These knowledge-based strategies have been some of the most successful strategies for economic diversification in circumpolar regions. Populations in these centres have seen healthy growth rates. Outside of these centres however depopulation continued.

Though resource dependence remains the overarching characteristic of northern economies, recent international research dealing with regions similar to the Canadian North emphasizes positive trends toward the increasing empowerment of local communities in northern regions. UNESCO's Management of Social Transformations programme (MOST)<sup>8</sup> and the Arctic Human Development Report of the Arctic Council examine both the economic and social impact of globalization in local communities.<sup>9</sup>

The MOST project examined how localities in northern regions of the world were dealing with recent economic changes in their regions. The essence of the project's findings is that small localities "tend to lose ground, as they are increasingly exposed to global processes of economic, administrative and cultural restructuring. In a situation where capital, natural resources and people become more mobile, traditional local life is challenged".<sup>10</sup>

Recent economic shifts have contributed to depopulation in smaller communities as people migrate to regional centres to seek employment. The growth of the service sector in regional urban centres such as Murmansk, Tromso, Umea and Oulu, contributes to the demographic shift away from rural areas. Technological changes in resource production also decrease available jobs in rural areas, exacerbating rural depopulation.

While these recent economic changes can be seen as having a negative effect on some smaller communities, there are examples of other communities that have been successful at managing these changes. This success is based on the development of "coping strategies," which are dependent upon the three main factors or themes of innovation, networking and formation of identity.

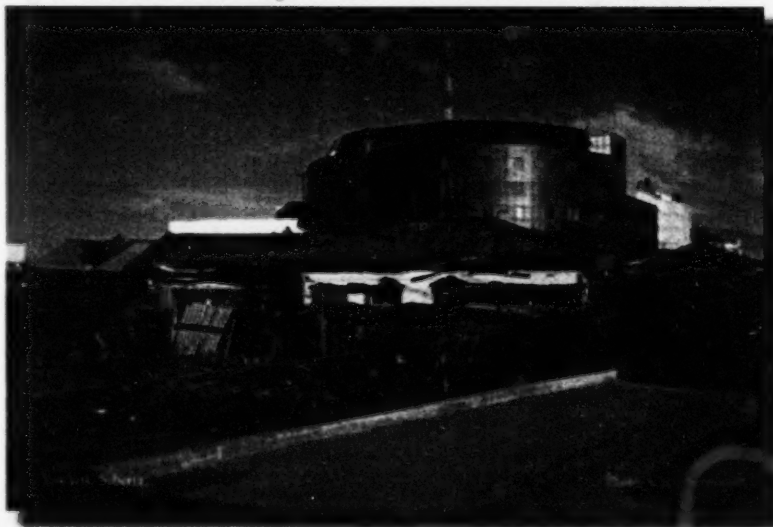
Innovation is the ability of the local community to find solutions to their social and economic challenges by increasing local control over natural resources and financial capital.

Networking refers to the ability of communities to build relationships across institutional boundaries that are based on interpersonal trust and reciprocity. Those communities that can build new partnerships with a variety of organizations are better able to deal with economic change. Finally, the formation of identity determines the degree

### *The North Slope Borough Alaska*

The North Slope Borough represents one of the first Indigenous controlled governments ever to exist in the Circumpolar North. It is the largest county-level jurisdiction in the United States with a total area of 245,436 square kilometres. When oil and gas was first found in the region in the 1960s the nine communities of the North Slope sought ways to ensure that a larger share of the wealth created by the oil and gas developments stayed in the region.

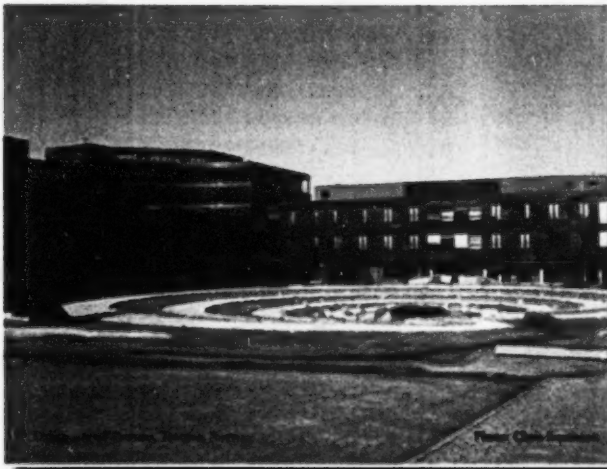
They created the North Slope Borough as a mechanism to tax oil and gas operations. While the oil and gas companies went to court to challenge the issue, the residents of the region eventually won out and, as a result, the North Slope Borough is now one of the wealthiest jurisdictions in the Circumpolar North.



<sup>8</sup> Several publications were produced by this project. See Aarsaether, N. and Baerenhold, J.O. (eds.) *Coping Strategies in the North: Local Practices in the Context of Global Restructuring*, Copenhagen: Nordic Council of Ministers, 1998; Aarsaether, N. and Baerenhold, J.O. (eds.) *The Reflexive North*, Copenhagen: Nordic Council of Ministers, 2001; and Baerenhold, J.O. and Aarsaether, N. (eds.) *Transforming the Local*, Copenhagen: Nordic Council of Ministers, 2001.

<sup>9</sup> Arctic Council, *The Arctic Human Development Report* Akureyri: Stefansson Arctic Institute, 2004.

<sup>10</sup> Aarsaether and Baerenholdt, 2001: 15.



to which communities can work together to find solutions. If a community has a strong commitment to the locality based on a strongly felt identity of itself as a community, its members are better able to work together for a common goal.

Those communities that have developed strong local identities are most successful in adapting to change. Successful strategies to deal with economic change are strongly related to local control. In the past, the northern regions of the world possessed little control over their regional economies. This is now changing as world opinion changes and new notions of civic rights are emerging that favour the increasing recognition of Indigenous rights and locally controlled sustainable development.

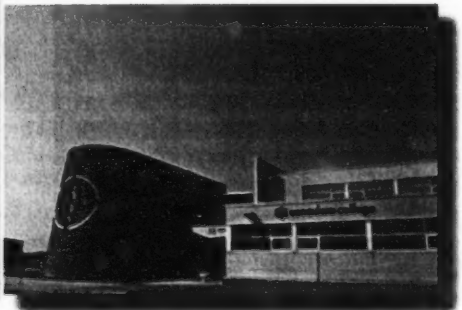
The *Arctic Human Development Report*, released in 2004, brings out similar themes. The report represents a snapshot of current social and economic conditions and trends in the northern regions of the eight Arctic states.<sup>11</sup> The definition of the Circumpolar North chosen for this report excludes the provincial norths of Ontario, Manitoba, Saskatchewan, Alberta and British Columbia, but, despite this exclusion, many of the trends identified in the report are applicable to these regions.

Economic changes have both negative and positive effects on the region. The volatility of world markets for raw materials (e.g. oil and gas) has intensified pre-existing dynamics, giving rise to rapid socio-economic changes in many northern communities, often called boom and bust cycles. The narrow economic base of most of these

#### *The Knowledge Industry and Oulu, Finland*

The city of Oulu in northern Finland is one of the fastest growing cities in Europe. The growth had been a result of the community's ability to use its institutions of higher education and its quality of life, to develop a vibrant knowledge industry sector. In the early 80s, in partnership with the national government, the city made a strategic decision to become a hi-tech centre. Key partners in its economic development success are Nokia, with its research facilities, and Infotec Oulu which investigate information technology.

Another partner, Medipolis, is a unique centre for medical science, medical science technology and biotechnology companies, research and information. The electronic laboratory of the State Technical Research Centre investigates and develops products in the Science Park with its staff of 170 top professionals.



communities makes them vulnerable to external actors' decisions, which are often made without reference to impacts on northern communities.

The region's traditional dependence on public service and transfer payments to smooth economic boom and bust effects has been threatened as governments have cut back on economic expenditures. Communities created by the welfare state are increasingly required to adapt on their own as central governments' policies shift away from those of the welfare state.

<sup>11</sup> The eight Arctic states that are members of the Arctic Council are Canada, the United States, Greenland-Denmark, Iceland, Norway, Sweden, Finland, and Russia.



### *The Norwegian Government's High North Strategy*

The Norwegian government's High North Strategy, launched in 2006, is designed to create sustainable growth and development in the most northern region of Norway through more extensive international cooperation on the use of natural resources, environmental management and research.

Norway's main political priorities in the High North strategy are:

- *to exercise its authority in the High North in a credible, consistent and predictable way;*
- *to be at the forefront of international efforts to develop knowledge in and about the High North;*
- *to be the best steward of the environment and natural resources in the High North;*
- *to provide a suitable framework for further development of petroleum activities in the Barents Sea, and to seek to ensure that these activities boost competence in Norway in general and in north Norway in particular, and to foster local and regional business development;*
- *to ensure that the High North policy plays a role in safeguarding the livelihoods, traditions and cultures of Indigenous peoples in the High North; to further develop people to people cooperation in the High North; and to strengthen cooperation with Russia.*

The strategy sets out a broad range of measures to achieve the main priorities including developing dialogue with Norway's neighbours, partners and allies, business development initiatives, measures to promote economic cooperation between Norway and Russia and an increased focus on education and research. (Source: Norwegian Ministry of Foreign Affairs)

Though changes in the welfare state and new industrial technologies and production systems has impacted local northern economies negatively, in other ways, such as in the development and proliferation of new communications technologies, the dynamics of the changing northern economies are contributing to building stronger community identities, particularly among Indigenous peoples.

Indigenous cultures are not disappearing but instead are becoming more important. In each northern region, access to information is helping to produce a feeling of being distinct from the south, even where southern regions are adjacent. Globalization increases worldwide connections and the information and communications technology that fosters it also promotes inter-circumpolar connections.

The Arctic Human Development Report highlights that recent social and economic trends have empowered the North. The increasing integration of Indigenous affairs into mainstream local, national and regional government institutions is a significant change taking place throughout the circumpolar world. This integration is evident in the incorporation of traditional knowledge with science, the transfer of powers to local communities (devolution, co-management) and the widening involvement of northern peoples in ownership and development of lands and resources.

In summary, while changing northern economies are producing major challenges for communities throughout the Circumpolar North, key international studies on northern development and change emphasize the increasing empowerment of northern regions and communities and the important positive impacts of increasing recognition of Indigenous rights on the region. These trends are enhancing various dimensions of community capacity and increasing the resources available to communities as they face the opportunities and challenges presented by these changes.





## 4. Changing Northern Economies: The Situation in Canada

Despite the optimism of the international studies reviewed above, much of the current research relating to the changing economic situation in northern Canada continues to reflect the issues associated with the continued dominance of the resource economy in the North. This research can be summarized by four main themes:

- Resource dependence;
- Mega-project development;
- Environmental issues as a source of change; and
- Increasing power of Aboriginal peoples.<sup>12</sup>

Resource dependence and mega-project development reflect conditions that have long existed in the Canadian North and continue to be the main drivers of change while the increasing power of Aboriginal peoples and the increasing importance of environmental issues are more recent trends. Practices identified in the international context are also growing in importance in Canada. The empowerment of local communities, capacity building in the region and the increasing involvement of northern Aboriginal peoples are important potential solutions to past and current economic problems.



### Resource Dependence

Since World War II, resource exploitation has dominated the economy of northern Canada and it continues to be the situation today. Resource dependence leaves communities in the northern regions vulnerable to the boom and bust cycles of world commodity pricing and the periodic exhaustion of resources.<sup>13</sup> As with the international jurisdictions cited in the Arctic Human Development Report, the impact of globalization in northern Canada has intensified boom and bust cycles as fluctuations in commodity prices have escalated to become more intense, numerous and rapid.<sup>14</sup>

Technological advancements have led to the loss of jobs in resource industries, contributing to the depopulation of northern regions as a result of economic change.<sup>15</sup> During the 1970s the introduction of government services associated with the welfare state model countered the loss of employment in resource industries, but by the 1980s, government cutbacks across northern Canada could no longer counter the decline of employment in the resource sector.<sup>16</sup>

Economic dependence on resource exploitation is a challenge for the sustainable development of northern communities. Many resources are non-renewable; as a result, the industries built around them have limited life expectancies. For example, the mining industry is premised on a model of eventual resource depletion; thus, once resources are extracted the industry will no longer be available to support communities.<sup>17</sup>

Technological innovation increases the efficiency of resource extraction, leading to shorter productivity windows.<sup>18</sup> In the recent past this has meant some communities are forced to shut down when the resource runs out.<sup>19</sup>

<sup>12</sup> An excellent summary of these can be found in Bone, Robert. *The Canadian North: Issues and Challenges*, Don Mills: Oxford University Press, 2009.

<sup>13</sup> Noted once again in Bone (2009) but also recognized in earlier works such as Nassichuk, W.W. 1987. "Forty Years of Northern Non-Renewable Natural Resource Development", in *Arctic*, Vol. 40, No.4, 274-284, and Rea, K.J., 1976. *The Political Economy of Northern Development*. Science Council of Canada Background Study No. 36. Ottawa: Science Council of Canada.

<sup>14</sup> See Duhaime, Gerard. 2004. "Economic Systems", in the *Arctic Human Development Report*, Eds. Oran Young and Niels Einarsson. Akureyri: the Stefansson Arctic Institute; and Delaney, Roger, Keith Brownlee, and Margaret Sellick. 2001. "Surviving Globalization: Empowering Rural and Remote Communities in Canada's Provincial Norths." *Rural Social Work*. 6.3: 4-11.

<sup>15</sup> See Southcott, Chris 2006. *The North in Numbers: A Demographic Analysis of Social and Economic Change in Northern Ontario*, Thunder Bay: Centre for Northern Studies Press.

<sup>16</sup> See Gardner, Peter. 1994. "Aboriginal Community Incomes and Migration in the NWT: Policy Issues and Alternatives." *Canadian Public Policy* 20.3: 297-317.

<sup>17</sup> See Teitelbaum S., Beckley, T., Nadeau, S., and Southcott, C. 2004. "Milltown Revisited: Strategies for Assessing and Enhancing Forest-Dependent Community Sustainability" in *Towards Sustainable Management of the Boreal Forest*, Philip J. Burton, Christian Messier, Daniel W. Smith, and Wiktor L. Adamowicz, eds., Ottawa: National Research Council Research Press, pp. 155-180.

<sup>18</sup> One exception is directional drilling, which extends productivity windows because it makes it possible for a greater number of smaller pools of hydrocarbon to be developed. The creation of smaller pools also minimizes the environmental footprint of extraction.

<sup>19</sup> For example, this was the case for Pine Point in the Northwest Territories. When the Pine Point lead and zinc mine ceased operations in 1988, the town was demolished and abandoned. It should be pointed out that governments play a major role in assisting communities in transitioning through industry closure



Attempts to diversify the northern economic base have often failed.<sup>22</sup> Most explanations of failure blame geographic constraints or the regions' inability to access capital. This lack of capital mobilization is often explained by the fact that northern regions are resource hinterlands that exist to supply raw materials to industries located elsewhere.

Canadian economic historian Harold Innis was the first theorist to explain how resource hinterlands<sup>23</sup> have difficulty developing mature diversified economic systems. According to the classical economic model of industrial capitalism, regions diversified as profits earned from the earliest economic activities were invested into forward and backward linkages. Forward linkages are represented by investment in the development of new products requiring further processing, which in turn yield more profits. Backward linkages are investments in new technologies enhancing and rationalizing production, thereby increasing profits. According to Innis, when economic activities are based on exploiting natural resources, diversification does not occur. Profits that would normally be used by individuals in the region to diversify regional economies are instead leaked out of the region. Consequently, local residents are unable to access the capital necessary to support economic diversification.



Governments have had to deal with community closures and are no longer supportive of establishing new communities to serve non-renewable resource development. Some prefer alternative solutions to a resident labour force such as supporting developers who fly in workers from southern locales to inhabit industry-built and maintained temporary infrastructure at the work sites.<sup>20</sup>

Renewable resources, such as fishing, are in theory sustainable activities, yet the reality is that for a variety of reasons, companies and governments have had difficulty ensuring that these resources are managed to produce sustainable yields. Moreover, the rapidity of changes in commodity prices leaves renewable resource industries vulnerable to market fluctuation, resulting in temporary shutdowns and closures.<sup>21</sup>

#### *The Inuvialuit Regional Corporation*

The Inuvialuit Regional Corporation (IRC) was established with the overall responsibility of managing the affairs of the Inuvialuit Final Agreement (IFA), the Inuvialuit land claims settlement signed in 1984. Its mandate is to continually improve the economic, social and cultural well-being of the Inuvialuit through implementation of the IFA and by all other available means. It has used funds contained in the IFA to establish itself as an important economic force in the region. It directs companies involved in energy services, transportation services, and northern services. It is also an important partner for the Aboriginal Pipeline Group, a regionally-based partner in the proposed Mackenzie Gas Pipeline project. The IRC, similar to the Makivik Corporation in Nunavik and Nunavut Tunngavik in Nunavut, is a good example of a locally-based initiative that seeks to diversify the northern economy by re-investing capital back into the region.

<sup>20</sup> See Robson, Robert. 1986. *Canadian Single Industry Communities: a Literature Review and Annotated Bibliography*. Sackville, NB: Rural and Small Town Research and Studies Programme, Department of Geography, Mount Allison University.

<sup>21</sup> See Southcott, Chris 2003. "Différentiation sociale selon les régions dans le Canada de demain : différences tendancielle entre les régions urbaines et régions rurales pour la prochaine décennie," dans *La différenciation sociale : modèles et processus*, sous la direction de Danielle Juteau, Montréal : Les Presses de l'Université de Montréal.

<sup>22</sup> See Duerden, F. 1992. "A Critical-Look at Sustainable Development in the Canadian North." *Arctic* 45.3: 219-25.

<sup>23</sup> Others use the terms "resource dependent region" or "resource periphery" to express the same relationships. See House, J. D. "Big Oil and Small Communities in Coastal Labrador: The Local Dynamics of Dependency" *The Canadian Review of Sociology and Anthropology* 18, no. 4:433-452. 1981.

This has been and continues to be the pattern of economic development in Canada's North. Development has been controlled by forces outside the region which have access to the capital necessary for development. While very little has changed in this regard over the past 30 years, new developments could alter that pattern, namely by increasing political and economic empowerment of northern communities, particularly northern Aboriginal peoples and communities.<sup>24</sup> These developments have led to new and innovative means of slowing the leakage of capital through such mechanisms as Impact Benefit Agreements, Trust Funds and Aboriginal Economic Development Corporations. These mechanisms serve to ensure that a larger amount of the capital generated by the resource development stays in the region.

### Mega-project Development

Resource development in the North has largely occurred through mega-projects.<sup>25</sup> Resources developed in remote regions face enormous expense because of the lack of available inputs, ranging from housing and transport, to utility infrastructure and labour. A result of the high cost of transporting inputs is that resource development in the North is largely implemented through large-scale projects to ensure economies of scale.<sup>26</sup>

Other than the involvement of provincial crown corporations in hydro-electric development, most projects are led by large multinational corporations with both the capital and capacity to develop large scale operations. Since the mid-twentieth century, these corporations have worked cooperatively with federal, provincial and territorial governments, and benefited from targeted economic inducements such as development costs, royalty adjustments and infrastructure development programs.

Mega-project development brings many positive impacts to northern regions. Historically this has come primarily in the form of well-paid jobs and the introduction of new services. Unfortunately, there are also many negative social and economic impacts associated with mega-projects. The labour demand of the construction phase

means large numbers of transient workers are brought into the region, introducing a host of social problems. Opportunities for economic diversification and training and skills development exist. However, in the past, most of these opportunities have not been realized. Instead, outside suppliers and sub-contractors are used and financial benefits stream out of the region.

As a result, regional economic multiplier effects from mega-project developments are extremely low. Because of the enormous expenses involved in



developing mega-projects, costs are kept low by bringing in skilled labour from outside the region rather than training locally-based labour. Most of the capacity enhancement that occurs as a result of the project flows outside the region along with the profits earned.

Recent mega-project developments in the North are somewhat different from those in previous decades. Increasingly, local populations are demanding that mega-



<sup>24</sup> See Elias, Peter Douglas. 1995. *Northern Aboriginal Communities: Economies and Development*. North York: Captus Press.

<sup>25</sup> Bone, Robert. 2009. *The Canadian North: Issues and Challenges*. Don Mills: Oxford University Press.

<sup>26</sup> See Huskey, L., and T. A. Morehouse. 1992. "Development in Remote Regions - what do we Know?" *Arctic* 45.2: 128-37.

projects ensure long term benefits to the region. During the 1970s, Aboriginal groups in both the Northwest Territories and northern Québec were at the forefront of demanding that mechanisms be put in place to ensure local populations had more say in these developments and that more benefits were passed on to northern communities. Following the example of Alaska, modern treaties were made that greatly enhanced the economic and political power of northern Indigenous peoples.<sup>27</sup> In addition, at the demand of local populations, new mechanisms were put in place to slow the leakages of both human and economic capital from northern regions. Impact benefit agreements and socio-economic agreements were developed between industry, government and northern communities.

Projects such as the development of the oil sands of northern Alberta; the proposed Mackenzie Gas Pipeline; new uranium mines in northern Saskatchewan; new hydro-electric developments in northern Manitoba, northern Québec and Newfoundland and Labrador; and diamond mines in the Northwest Territories and northern Ontario utilize new and innovative ways of ensuring that a greater amount of the benefits produced by these projects stay in the region.

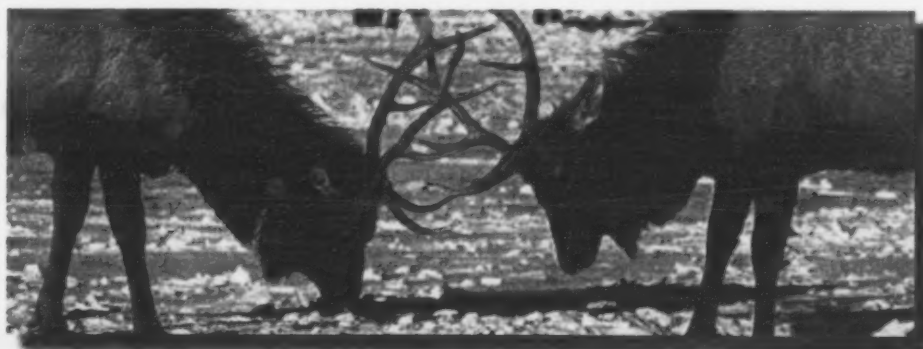
### Environmental Issues as a Source of Change

The image of the North that is dominant in contemporary media reports is of a region hard hit by the negative effects of environmental change. Though uncertainty surrounds the potential impacts of climate change on the region, there is a consensus that these impacts will be important and that communities require resources to assist them in dealing with these effects.

The negative effects of industrial development on the northern environment first emerged in the media during the 1970s. Changing values meant that industry practices that negatively affected the region's environment were criticized. The destructive impacts of resource development on Aboriginal communities such as Grassy Narrows and White Dog in northern Ontario became widely known and governments were required to act quickly to constrain the worst of these activities.<sup>28</sup>

Governments reacted by establishing new environmental regulations and creating new agencies to ensure that regulations were respected. New projects became subject to environmental reviews that provided local populations in Canada's North with the power to affect decision-making. Initial environmental assessments normalized the expectation of local participation in decisions affecting northern resources and the northern environment. Co-management practices were established, although the degree to which local communities could influence decision-making varied from jurisdiction to jurisdiction.<sup>29</sup>

New partnerships can be seen as a useful tool, not only to ensure more regional empowerment, but also to ensure the use of traditional knowledge in evaluating the impacts of new developments on the environment.<sup>30</sup>



<sup>27</sup> See Saku, James C. "Modern Land Claim Agreements and Northern Canadian Aboriginal Communities". *World Development* 30, no. 1:141-151. 2002

<sup>28</sup> See Shkilnyk, Anastasia. *A Poison Stronger Than Love: The Destruction of an Ojibwa Community*. New Haven: Yale University Press, 1985.

See also Hobart, Charles. "The Negative Impact of Resource Development on the Health of Native People in the Northwest Territories". *Canadian Journal of Native Studies*, 2 (1984) pp. 257-278.

<sup>29</sup> See Natcher, David C., Susan Davis, and Clifford G. Hickey. 2005. "Co-Management: Managing Relationships, Not Resources". *Human organization* 64, no. 3:240-250; and Nadasdy, P. 2003 "Reevaluating the Co-Management Success Story." *Arctic* 56.4: 367-80.

<sup>30</sup> See Berkes, Fikret and Carl Folke, (eds.) 1998. *Linking Social and Ecological Systems: Management Practices and Social Mechanisms for Building Resilience*. Cambridge: Cambridge University Press.



Current and anticipated effects of climate change are also impacting the environment in the region and add to the concerns over the social and environmental impacts of specific resource projects. Recent climate change impacts have been felt throughout northern regions; they include the Mountain Pine Beetle epidemic, a shortened season of winter roads and changing wildlife patterns and their impact on food security.<sup>31</sup> Warmer winters have resulted in increased populations and spread of the Mountain Pine Beetle in areas of northern British Columbia and Alberta, having a devastating effect on the forest industry in these regions. Winter roads offer an important means of accessing both communities

and mines in northern Canada that are inaccessible by road during the summer. Shortened winters are resulting in shorter periods of time that these roads can be used. This is causing problems for mining operations and communities that rely upon these roads for the transportation of goods essential to their operations. Climate change is also causing changes in wildlife migration patterns. Finding game is sometimes becoming difficult for Aboriginal hunters, as is anticipating weather, ice or water conditions. This potentially poses a danger to the food security of many northern communities which rely heavily on hunting and gathering.



#### *Agreement in Principle on a Nunavik Regional Government*

One of the most important recent movements towards self-government in the Canadian North was the signing in 2007 of an Agreement-in-Principle to establish a regional government in Nunavik.

The Agreement means that the governments of Québec and Canada have accepted that a Nunavik regional government will become a reality. All that remains to be done is to determine the legal mechanisms of how this will be accomplished. It is expected that this new regional government will significantly expand the ability of the people of Nunavik to govern themselves and could potentially serve as a model to other jurisdictions.

#### **Increasing Power of Aboriginal Peoples**

Throughout the Canadian North, the Aboriginal population is increasing its demographic strength. Higher birth rates and lower out-migration rates mean that Aboriginals are increasing as a percentage of northern populations and in many jurisdictions they make up the largest population of young people. Yet their increasing power is not only the result of this demographic change. As was noted in the Arctic Human Development Report, one of the most important trends to have occurred in the Circumpolar North over the past 30 years is the political and economic empowerment of Indigenous peoples. This is largely the result of a political shift that began in the years following the end of World War II. The end of colonial empires and the rise of transnational civil rights movements were all signs of a political shift supporting human rights in democratic societies.

This shift did not occur without considerable conflict between northern Aboriginal peoples and southern interests. During the 1970s, conflict over the Baie-James Hydro project and the initial Mackenzie Valley Pipeline project led governments and industry to change their relationships with Aboriginal peoples.

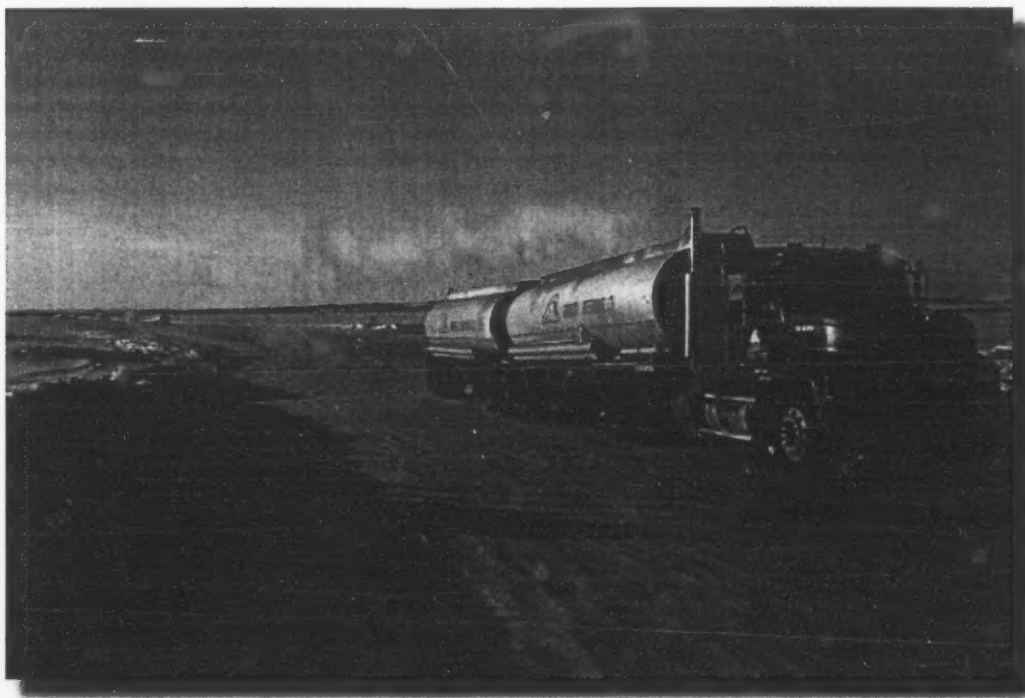
In addition to these conflicts, a series of court decisions on Aboriginal title forced governments to recognize Aboriginal rights. In 1995, the federal government recognized the inherent right to self-government as an existing right within

Section 35 of the Constitution Act. Subsequent court decisions have interpreted Section 35 to mean that government has a duty to consult (and where appropriate accommodate) Aboriginal communities when governments have real or constructive knowledge that contemplated actions may adversely impact an existing or asserted Aboriginal or treaty right.

This change in attitude resulted in federal and provincial/territorial governments working to ensure the negotiation and resolution of long-standing land claims and other issues of contention. New comprehensive land claim agreements significantly increased the economic power of northern Aboriginal peoples. Not only do they now have recognized Aboriginal title to land, but these agreements also included innovative forms of self-government and cash settlements.

<sup>31</sup> See Furgal, C. et al. *From Impacts to Adaptation: Canada in a Changing Climate 2007*. Northern Development Ministers Forum. Accessed at [http://www.focusnorth.ca/ndmf\\_library.htm](http://www.focusnorth.ca/ndmf_library.htm)





New Aboriginal economic development organizations, such as the Inuvialuit Regional Corporation and the Makivik Corporation, were developed to increase the participation of Aboriginal peoples in regional economies. These Aboriginal organizations often became the first real regionally-based economic power to ever exist in the Canadian North. They are quickly becoming key business partners in many development projects. In addition to the new treaties, new mechanisms such as Impact Benefit Agreements and Socio-Economic Agreements were introduced to ensure greater benefits to regional Aboriginal communities. Perhaps the most politically empowering event to occur for Aboriginals in the region was the creation of Nunavut in 1999, followed by the recent agreement to establish a new form of regional government for Nunavik.

In summary, although the economy of the Canadian North is changing, it remains heavily dependent on resource-based mega-projects. Resource dependence continues to be the dominant characteristic of the regional economy and the problems associated with this dependence continues. At the same time, concerns relating to environmental impacts and Aboriginal rights have led to new opportunities for local populations to become involved in economic decision-making. As was seen in other parts of the Circumpolar North, there is a trend to increasing local empowerment. The resulting power shift holds out the promise that some of the negative aspects of resource dependence can be countered. New partnerships are being formed between Aboriginal and other local groups, governments, and industry that have the potential to diversify the northern economy and lead to a more sustainable form of economic development.

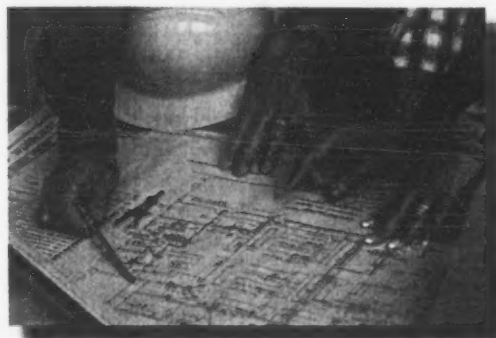


## 5. Determining the Opportunities and Challenges of the Changing Northern Economy

### The Approach

#### Methodology

The changing northern economies survey was conducted from February to April 2009 by member jurisdictions of the Forum. The survey was developed to determine the opportunities and challenges facing Canada's northern economies. The survey was sent to government representatives of the eleven jurisdictions involved: Canada, British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Newfoundland and Labrador, Nunavut, Northwest Territories and Yukon.<sup>32</sup>



### Results of the survey

#### Trends

What are the growth sectors of the northern economy?

Most respondents noted that growth in general had slowed over the past year as a result of the recession. Despite this slowing growth, the energy sector represents significant potential for the future in many jurisdictions.

**Table 1 What are the growth sectors of the northern economy of your jurisdiction?**

Jurisdiction	Oil and Gas	Mining	Hydro	Forestry	Tourism	Other
Canada	X	X		X	X	
British Columbia	X	X		X	X	Alternative energy bio-mass and wind, infrastructure
Alberta	X		X	X	X	Pipeline development
Saskatchewan	X	X		X		Government
Manitoba		X	X	X	X	Non-timber forest products
Ontario		X		X	X	Aboriginal economic development, bio-energy, health
Québec		X	X	X	X	Fisheries
Newfoundland and Labrador	X	X	X			Fisheries, Art and culture industries
Nunavut		X			X	Community economic development fisheries, cultural industries, commercial harvesting, cold weather testing, scientific research, telecommunications
Northwest Territories	X	X				Cold weather testing
Yukon		X			X	First Nations, Government

<sup>32</sup> A copy of the survey is found in Appendix A.

The oil and gas sector was listed by Alberta, British Columbia and Northwest Territories as experiencing growth. The oil sands developments in northern Alberta are the largest mega-projects currently operating in northern Canada. Saskatchewan and Newfoundland and Labrador also list oil and gas as important new activity sectors in their jurisdictions. Pipeline activities were deemed important by British Columbia and Alberta, while hydro-electric developments were seen as the key to future growth in northern Québec, northern Manitoba and Newfoundland and Labrador.

#### *Knowledge based initiatives in northern Ontario*

Following the examples of northern Fenno-Scandia, Ontario has been placing added emphasis lately on economic diversification in northern Ontario through the development of new knowledge-based initiatives. Universities in the region are being increasingly seen as important economic drivers. Examples include an investment of \$25 million to support the creation of the Centre for Research and Innovation in the Bio-Economy (CRIBE).

CRIBE will create new opportunities and high-paying jobs in the rapidly growing and cutting-edge bio-economy. The centre will focus on research, development and commercialization as they relate to the next generation of renewable forestry bio-products. Also, \$14.7 million has been invested in the Molecular Medicine Research Centre in Thunder Bay, to help foster the knowledge economy. This will create up to 200 highly skilled jobs and numerous spin-off jobs.

Several new sectors are showing growth. Nunavut noted the possibility of growth in fisheries. Both British Columbia and Ontario referenced growth in the bio-energy field as the forest industry and others increasingly turned to co-generation and new bio-mass technologies to provide energy.

In addition to resource-based activities, several jurisdictions discussed important new initiatives. British Columbia noted the importance of the Pacific Gateway Initiative in opening up its northern region to trade with other jurisdictions in the Pacific Rim. The port projects related to the initiative will

capitalize on the region's strategic location as the closest North American port to China and the ports' ability to facilitate "just in time production."

Ontario and several other jurisdictions highlighted emerging knowledge-based initiatives. Similar to the knowledge-based development strategies established in northern Fenno-Scandia during the 1980s,

Ontario highlighted new knowledge

intensive strategies of economic diversification based on developing value-added innovations in mining, forestry and health-related research.

In terms of the major growth sectors mining is important in all jurisdictions; however, many pointed to rapid slowing of activities over the past year. Several governments noted the economic importance of exploration activity over the past few years despite exploration not always leading to mining projects. These activities provide employment and increased sales of services and goods.

Forestry continues to be an important industry, but its fortunes have suffered recently due to exchange rates, the global economic recession, a cyclical downturn in the US housing market, high energy costs, devastation caused by the Mountain Pine Beetle and declining demand for some products such as newsprint. The current recession has added to downward market pressures, yet British Columbia, Alberta, Saskatchewan, Ontario, Manitoba and Québec noted that future economic recovery will lead to a re-emergence of forestry as an important sector. Both Manitoba and British Columbia noted increased interest in non-timber forest products, such as the production of wood pellets.

Tourism was listed as a growth sector by eight of the eleven jurisdictions, but at least one respondent pointed out that growth in this sector would probably be limited due to the current recession.

#### *The Pacific Gateway Initiative*

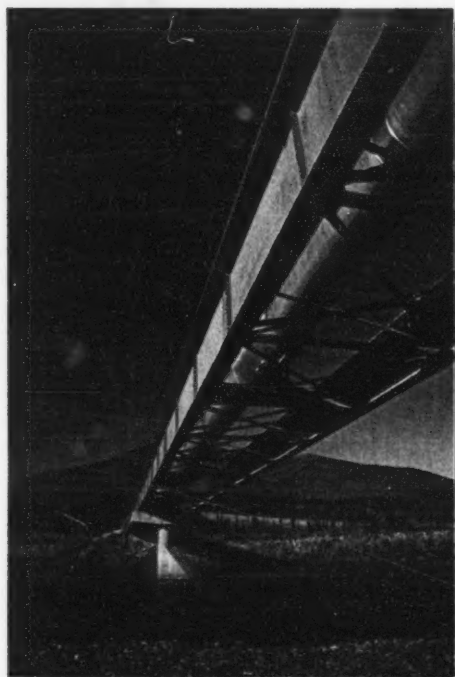
The Pacific Gateway is an overarching initiative that connects the North. The Province has acted as a facilitator of strategic initiatives focused on transforming the North, including the expansion of the Prince George airport as "hub" for air freight between Asia and North America and the expansion of the Prince Rupert port.

The development of Prince George's inland port is an example of ways in which key stakeholders can work together to create new economic opportunities and reach consensus on issues including land use.

[http://www.alc.gov.bc.ca/application\\_status/37662/37662d1.pdf](http://www.alc.gov.bc.ca/application_status/37662/37662d1.pdf)



In summary, jurisdictions pointed to the continued importance of resource industries in the northern economy. Some noted the importance of new transportation initiatives and a potential increase in the importance of tourism. Ontario believes that knowledge-based initiatives have some potential. Overall, as the analysis above has shown, the majority of growth is projected to occur in those resource industries that have traditionally been dominant.





## What are the obstacles to further economic development?

**Table 2 What are some obstacles to further economic development in your northern jurisdiction?**

Jurisdiction	Transportation/ Infrastructure	Educational/ Training Issues	Relations with Aboriginals	Regulatory Issues	Others
Canada	X	X			Aboriginal Capacity Issues
British Columbia	X		X	X	Loss of skilled labour, hydro pricing, broadband
Alberta	X	X		X	Housing
Saskatchewan	X	X	X		Culture of dependence
Manitoba	X	X	X		Access to capital
Ontario	X		X	X	Aging/declining population, youth outmigration
Québec	X	X	X	X	Lack of entrepreneurs broadband
Newfoundland and Labrador	X		X		
Nunavut	X	X		X	Shortage of skilled professionals
Northwest Territories	X		X	X	Lack of land ownership, capital leakages, population decline
Yukon	X	X			Capital leakages

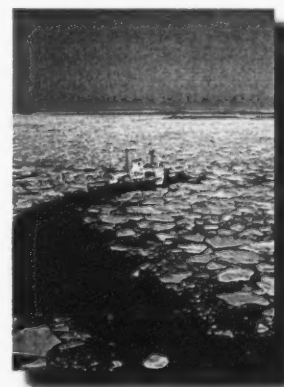
While many responses did not specify the current global recession as an obstacle, this might be due to its pre-eminence. However, several jurisdictions noted the serious negative impact that the current economic downturn was having on northern communities. Most respondents emphasized geographical constraints on economic development that have long been noted by those working on northern development issues. Isolation, high transportation costs, climate and limited local markets are issues that most respondents referred to as obstacles and as was the case with the current recession, others may not have mentioned them simply because they are so obvious.

Resource dependence continues to characterize the economies of the northern jurisdictions. Many issues linked to resource dependence were presented such as the lack of economic diversification, leakages<sup>33</sup> occurring through a variety of means including importing external skilled labour, lack of access to local capital, a shortage of entrepreneurs, minimal local control and capacity and infrastructure issues created and exacerbated by rapid boom and bust cycles. On this last point, several jurisdictions noted obstacles caused by rapid population growth, while several others noted obstacles caused by rapid population decline.

All jurisdictions highlighted infrastructure inadequacy as an obstacle to economic growth. Most often respondents referred to shortcomings in transportation infrastructure that resulted in prohibitive transportation costs affecting all sectors of the economy, including tourism. Several noted the obstacles presented by insufficient communications infrastructure.

A majority of the respondents specifically referred to the need to improve relations with Aboriginal populations in order to improve development opportunities. Four jurisdictions noted the uncertainty surrounding land claims as an obstacle, while three

<sup>33</sup> For a definition of leakages and their various forms see above discussion of Innis' staples theory.

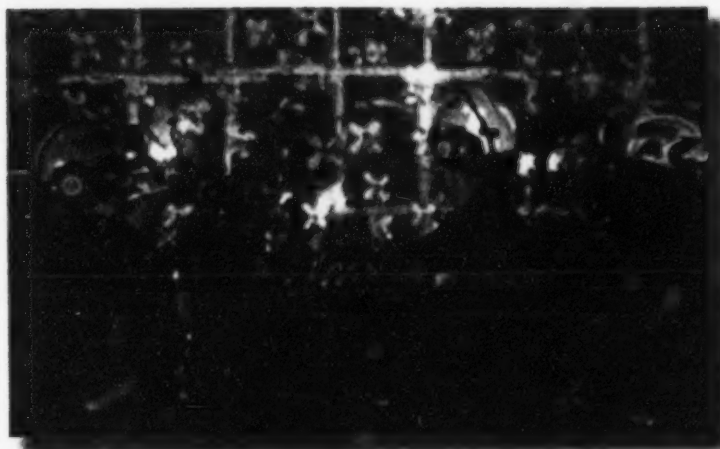




pointed to uncertainty surrounding consultation practices. In addition, at least five jurisdictions referred to regulatory burdens as an obstacle to economic development. While several were referring more directly to the regulatory process associated with the environmental assessment, others seem to be referring to ineffective government regulations relating to consultation with Aboriginal communities, and others to complexities, as well as lack of certainty and clarity, associated with the number of players and overlapping jurisdictions in the regulatory regime.

Finally, another obstacle noted by a majority of respondents was deficiencies in education and training. Here again variation existed as some generally noted lower levels of formal education as an obstacle to development while others described an inability of local populations to meet industry needs for specialized and skilled labour or for professionals.

In summary, the evident consensus suggests that geography and resource dependence remain important obstacles to growth. In addition, many jurisdictions see the need to improve relations with Aboriginal populations and to improve the education and training capacity of the region.



#### *Muskwa Kechika Management Area (M-KMA)*

In the early 1990s the BC government as part of its Provincial Land Use Strategy, initiated a regional Land and Resource Management Planning (LRMP) process. The process was cooperative and consensus-based, involving people who represented varying perspectives from industry to conservation to cultural and spiritual values.

Working land and resource tables were established in Fort Nelson, Fort St John and Mackenzie and consensus was reached that M-KMA should be managed as a special area which would allow resource development to continue while recognizing, accommodating and protecting important wildlife and environmental values. The M-KMA consists of 1.6 million hectares of protected park as well as 4.7 million hectares of special management zones where sustainable resource development is supported. An advisory board oversees the management of the area as well as the trust fund established to support special projects and planning initiatives.

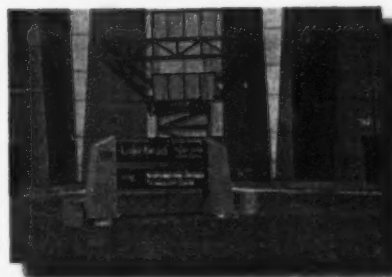
with regional populations and, in particular, Aboriginal communities. Partnerships are effective for overcoming some problems associated with resource dependency by redirecting capital back into the region and by helping to increase the capacity of regional populations. Partnerships with communities also ensure buy in and sustainability of the program. They provide greater certainty over the future of the region by responding directly to the uncertainty surrounding more formalized consultation processes. These partnerships ensure programs and approaches are responding to local/regional needs.

#### **What approaches have been most successful in overcoming these obstacles?**

Policies and programs developed by jurisdictions that respond to the specific obstacles identified above display common themes; they are often attempts to provide capital for infrastructure or economic development initiatives based on planning processes premised on local and regional stakeholder participation. Many such programs are based on Aboriginal involvement in economic decision-making and creating new partnerships with regional Aboriginal populations. Several jurisdictions referred to new mechanisms serving to slow leakages through re-capturing capital created by resource development. These include Impact Benefit Agreements and Socio-Economic Agreements negotiated between Aboriginal peoples and/or governments and industry.

In addition to the identified themes of capital, infrastructure and economic development with regional/local stakeholder participation, initiatives that promote the recruitment of skilled labour and facilitate local skills training were mentioned by numerous jurisdictions as key to overcoming the above mentioned obstacles. Strategic approaches to northern regions were highlighted by several jurisdictions as a key to overcoming obstacles to economic development. These approaches acknowledge that northern regions have specific needs which require specific solutions. These strategies also foster collaboration among various levels and parts of government.

Almost all jurisdictions indicate that the policies and programs that have been the most successful are those based on new partnerships



**Table 3 Population Changes in Northern Canada 1996 to 2006**

	Population, 1996	Population, 2001	Population, 2006	Pct. change, 1996 to 2006	Pct. change, 2001 to 2006
<b>Canada</b>	<b>28,846,761</b>	<b>30,007,094</b>	<b>31,612,897</b>	<b>9.6</b>	<b>5.4</b>
<b>Northern Canada</b>	<b>1,912,657</b>	<b>1,867,579</b>	<b>1,891,758</b>	<b>-1.1</b>	<b>1.3</b>
<b>Labrador</b>	<b>29,190</b>	<b>27,664</b>	<b>23,950</b>	<b>-18.0</b>	<b>-5.1</b>
Happy Valley- Goose Bay	8,655	7,969	7,572	-12.5	-5.0
<b>Northern Québec</b>	<b>203,599</b>	<b>196,080</b>	<b>193,451</b>	<b>-5</b>	<b>-3.7</b>
Chibougamau	8,664	7,922	7,563	-12.7	-4.3
<b>Northern Ontario</b>	<b>826,276</b>	<b>786,443</b>	<b>786,290</b>	<b>-4.6</b>	<b>0.0</b>
Greater Sudbury	165,362	155,268	157,909	-4.5	1.7
<b>Northern Manitoba</b>	<b>83,134</b>	<b>82,427</b>	<b>84,600</b>	<b>-1.8</b>	<b>2.6</b>
Thompson	14,385	13,256	13,446	-6.5	1.4
<b>Northern Saskatchewan</b>	<b>31,104</b>	<b>32,029</b>	<b>33,919</b>	<b>9.1</b>	<b>5.9</b>
La Ronge	2,964	2,727	2,725	-8.1	-0.1
<b>Northern Alberta</b>	<b>304,958</b>	<b>323,440</b>	<b>352,358</b>	<b>15.5</b>	<b>8.9</b>
Wood Buffalo*	35,213	41,466	51,496	46.2	24.3
<b>Northern BC</b>	<b>339,228</b>	<b>328,517</b>	<b>315,880</b>	<b>-6.9</b>	<b>-3.3</b>
Prince George	75,150	72,406	70,981	-5.5	-2.0
<b>Yukon Territory</b>	<b>30,788</b>	<b>28,674</b>	<b>30,372</b>	<b>-1.3</b>	<b>5.9</b>
Whitehorse	19,157	19,058	20,461	6.8	7.4
<b>Northwest Territories</b>	<b>39,672</b>	<b>37,380</b>	<b>41,484</b>	<b>4.5</b>	<b>11.0</b>
Yellowknife	17,275	16,541	18,700	8.2	13.1
<b>Nunavut</b>	<b>24,730</b>	<b>26,745</b>	<b>29,474</b>	<b>19.2</b>	<b>10.2</b>
Iqaluit	4,220	5,236	6,184	46.5	18.1

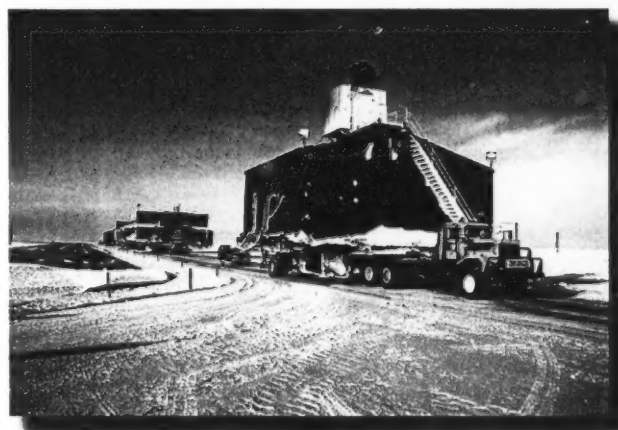
Source: Statistics Canada, Census of Canada 1996, 2001, 2006.<sup>34</sup> \* Fort McMurray is located within the Wood Buffalo census sub-division.

### What will be the future change drivers in the northern economy?

In terms of future change drivers, it is not surprising that most respondents listed global markets and commodity prices as the main future sources of change for the northern economy. These factors have been dominant drivers of the northern economy for most of the past one hundred years and it is understandable that most governments believe these will continue their dominance.

Interestingly, a majority of jurisdictions listed changes in the circumstances of regional Aboriginal populations as another important driver. Some jurisdictions saw increasing Aboriginal self-government as an important driver while others referred to Aboriginal population growth or new Aboriginal economic development initiatives.

Among other drivers, five of the jurisdictions view new infrastructure developments as important for the future of the northern economy while four listed significant educational initiatives as likely to have an important



<sup>34</sup> Statistics include the following Census Divisions: Northern Québec - Le Domaine-du-Roy (2491), Maria-Chapdelaine (2492), La Haute-Côte-Nord (2495), Manicouagan (2496), Sept-Rivières-Caniapiscau (2497), Minganie-Basse-Côte-Nord (2498), Nord-du-Québec (2499); Northern Ontario - Nipissing (3548), Parry Sound (3549), Manitoulin (3551), Sudbury (3552), Greater Sudbury (3553), Timiskaming (3554), Cochrane (3556), Algoma (3557), Thunder Bay (3558), Rainy River (3559), Kenora (3560); Northern Manitoba - Division No. 19 (4619), Division No. 21 (4621), Division No. 22 (4622), Division No. 23 (4623), Northern Saskatchewan - Division No. 18 (4718); Northern Alberta - Division No. 12 (4812), Division No. 13 (4813), Division No. 16 (4816), Division No. 17 (4817), Division No. 18 (4818), Division No. 19 (4819); Northern British Columbia - Cariboo (5941), Skeena-Queen Charlotte (5947), Kitimat-Stikine (5949), Bulkley-Nechako (5951), Fraser-Fort George (5953), Peace River (5955), Stikine (5957), Northern Rockies (5959).

impact. Four listed climate change as being a future driver.

While most respondents continue to see external constraints such as commodity pricing, international markets and climate change as the most important drivers of the northern economy, many are placing importance on locally-based forces such as the regional Aboriginal population and their increased presence in the regional economy. The possibility exists that these northern drivers can be used to counter the historic dominance of external factors on northern economic development.

## Partnerships

The questions related to partnerships attempt to assess the potential for them to increase the capacity of northern communities to address the issues they face in developing and maintaining sustainable resilient communities. The first question asked about the level of success of partnerships in their particular jurisdiction. Many respondents did not directly answer the question, instead referencing specific projects where partnerships had met with success. Some indicated that partnerships were moderately successful but could be improved upon. A few indicated that partnership successes were limited. A second part of the question sought examples of successful partnerships. Almost all jurisdictions referred to examples of public/private partnerships and to partnerships with Aboriginal peoples, however most answers did not provide sufficient details for further elaboration.

The next question asked respondents how partnerships have promoted resource development or redefined economic development goals. The most popular response was that partnerships increased the benefits flowing to northern communities, including Aboriginal communities. Partnerships were leveraging capital for project noted that partnerships reduced developments. Other responses, included improved information created by sharing resources.

### *Alberta's Regional Economic Development Alliances*

These alliances, operating throughout the province, are actively engaged in the process of developing and maintaining suitable economic, social and political environments in which balanced growth can be realized and community wealth increased. Strategically applying the collaborative process of economic development as a coordinated regional initiative has led to the development of fourteen independent regional economic development alliances in the province, half of which cover the northern portion of the province. Several themes have been identified by these groups, including the need to develop solid partnerships and relationships within the region, capacity building, business retention and growth, marketing, and investment and attraction.

### *Manitoba's Eastside Planning Initiative*

In 2000, the planning process for the East Side of Lake Winnipeg was formed to develop traditional area land use plans that will lead to a broad-area plan. The plans will assist government and the First Nations in developing a wise and sustainable use of this vast region of Manitoba.

This initiative will ensure direct involvement of First Nations in future initiatives and potential sustainable development. The planning process for the All-Weather Road in this area has undertaken extensive consultations with both the Aboriginal and non-Aboriginal stakeholders in the region and was required to deal with issues of great environmental sensitivity (ex. proposal to deem the area a UNESCO world heritage site, migrating path for caribou, etc.) which needed to be balanced with

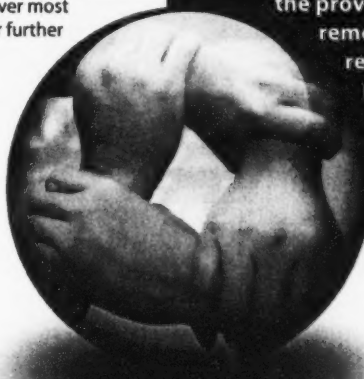
the provision of overland access to remote communities. Debates regarding community change (positive and/or negative) and economic development were also at the forefront of this process.

also viewed as useful for investment. Three jurisdictions conflicts related to resource by at least three jurisdictions, sharing and better synergy

The majority of responses noted benefits to Aboriginal communities resulting from partnerships. Benefits included increased financial resources through Impact Benefit Agreements and Trust funds, increased capacity building, greater access to employment opportunities and increased training programs.

At least four jurisdictions noted partnership benefits extend to non-Aboriginal partners. Arrangements that promote resource development through introducing a greater degree of stability and certainty for projects benefit both Aboriginal and non-Aboriginal partners. These relationships resulted in fewer delays than might otherwise be anticipated.

Several jurisdictions noted that governments need to research challenges facing Aboriginal communities in order to better understand their limited capacity to engage in negotiations and that this needs to be done in order to streamline consultation requirements. Respondents noted that capacity has to be built within Aboriginal partner communities and organizations before such partnerships can become truly effective. Two of the most ground-breaking partnership initiatives over the past few years occurred in Québec: the Paix des Braves Agreement allowing continued hydro development





in Québec and the Nunavik regional government agreement.

The final question dealing with partnerships asked respondents if globalization was affecting who was part of these partnerships and how they were being formed. The most popular response to this question was that the internationalization of capital markets means projects must now seek international partners that will assist in leveraging capital and accessing international markets. Interestingly, at least two jurisdictions noted that globalization was having little or no impact as the northern economy had always been exposed to global markets and global capital demands.

In general, responses indicate that partnerships are extremely useful for empowering local communities and for increasing the potential for sustainability. Respondents listed a large number of specific projects that have been successful in this regard. These partnerships benefited both Aboriginal and non-Aboriginal communities by increasing their participation in the regional economy and by diverting some of the capital leakages back into the region. While these partnerships increased capacity it was also mentioned that it may take time before this capacity can be built to the point where the Aboriginal partners are able to participate in a meaningful way. Several also pointed out that due to social, capacity and economic circumstances, much uncertainty may be involved in establishing such partnerships.

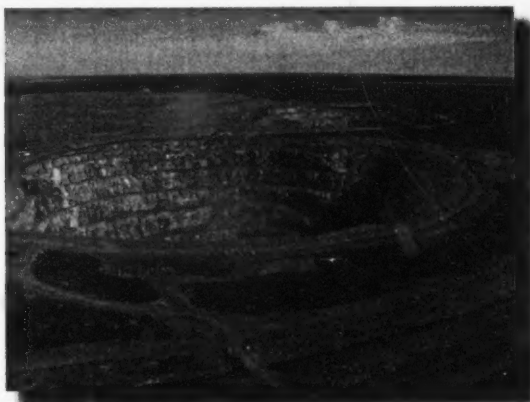


### *Manitoba's Hydro Northern Training and Employment Initiative*

The Hydro Northern Training and Employment Initiative (HNTEI) is a multi-year, multi-intervention training and employment strategy which includes a continuum of training interventions and supports to enable northern Aboriginal residents to prepare for jobs on approved and proposed northern hydro-electric projects. Over 85% of training is community-based or provided through training centres throughout the North, including the University College of the North (UCN). It is the first large scale Aboriginal human resource strategy in northern MB to be planned, designed and implemented by northern Aboriginal Partners.

### **Resource Management**

The final series of questions was related to resource management with the objective to examine how resource management, understood broadly, promotes sustainable community economic development in northern communities. The first question asked respondents for examples of successful integration between human, social, ecological and economic capital. Respondents tended to list projects involving partnerships with local Aboriginal and non-Aboriginal stakeholders. Many referred to new consultative organizations that had emerged over the past few years that attempt to provide local input into economic development decisions affecting northern communities. Many such projects were based on mechanisms intended to re-direct resource sector capital leakages back to the North. These include a variety of trust funds, land claim settlements, impact benefit agreements and socio-economic agreements that accompany resource development projects. Other initiatives are intended to increase the ability of local populations to control regional economic development through environmental assessment bodies and resource development boards. Respondents also mentioned resource development projects that included local Aboriginal communities as partners.



The next question asked the jurisdictions to list their most successful strategies in managing human and natural resources. The respondents listed a wide variety of items such as the New Relationship, a new government wide commitment to consultation with Aboriginal communities (British Columbia), new industry and regionally-based multi-stakeholder planning groups (Alberta), new multi-party training plans and new mineral surface lease agreements (Saskatchewan), new community specific multi-stakeholder economic development planning groups (Manitoba), new framework on economic and social benefits maximization (Québec) and a workforce initiative memorandum of understanding (NWT).

Almost all responses were again based on strategies for increasing local participation in economic development decisions. These strategies include a variety of components such as local capacity-building and methods for regional actors to mobilize resources.



Often these strategies tried to increase financial and human resources in the North. The second part of this question asked respondents whether any particular resource was more difficult to manage than any others. A large majority listed human resources as more difficult to manage due to capacity limitations existing in their regions.

The last question asked the jurisdictions to list the current obstacles that deter effective resource management in the North. Generally respondents referred to similar issues mentioned in response to the question discussed above dealing with obstacles to socio-economic development. The most popular response was a lack of skills and leadership capacity existing in the region. Other popular responses were the uncertainty produced by unresolved land claims, difficulties in balancing competing interests, an overly complex regulatory process, a lack of capital, educational and skills shortages, geography and commodity pricing.

In general, resource management is seen to improve the possibility of sustainable economic development in northern communities if it includes an increased involvement of northern communities, as well as increased access to human, social and financial capital. The consultation process itself is seen by several as an important means of increasing capacity in these communities, improving resource management.

## 6. Best Practices, Challenges and Opportunities

Findings from the literature review of current research and the survey indicate a great deal of consensus on the changing economy of northern Canada. While change is occurring, the North remains heavily dependent on resource-based mega-projects. Resource dependence continues to be the dominant characteristic of the regional economy and the problems associated with this dependence continue. New transportation initiatives, tourism and knowledge-based activities are not yet as important as existing resource industries but they represent the main drivers for economic diversification of the region.

At the same time, concerns relating to environmental impacts and the recognition of Aboriginal rights have led to new opportunities for local populations to become involved in economic decision-making. As was seen in other parts of the Circumpolar North, there is a trend to increasing local empowerment. The resulting power shift holds out the promise that some of the negative aspects of resource dependence can be countered. New partnerships are being formed between Aboriginal and other local groups, governments and industry that have the potential to diversify the northern economy and lead to more effective and sustainable forms of resource management.

The survey responses indicate that governments recognize the benefits of enabling communities to become agents of change. They are developing innovative means of strengthening community capacity to create sustainable futures by enhancing the levels of human, social, political and economic capital available to these communities.

### *Yukon Environmental and Socio-economic Assessment Act (YESAA)*

Land issues have always had a high degree of public interest in Yukon. One management tool that allows local populations to be included in managing local resources is YESAA. Its purpose is to require a review of the effects of any proposed development (for example, a mine, a resort, a fishing lodge, an apartment building, etc.) on the economy, environment, health, culture, traditions and lifestyles of Yukoners.

[http://www.eco.gov.yk.ca/dab\\_process.html](http://www.eco.gov.yk.ca/dab_process.html)

### *BC's New Relationship with First Nations*

The New Relationship with First Nations provides a framework where, on a government-to-government level, First Nations are engaged in a meaningful way, formalizing agreements in land and resource management, governance, access to resources and economic capital. Based on mutual design of process and joint involvement in leading land use planning, key agreements have facilitated the engagement of First Nation communities.

<http://www.gov.bc.ca/arr/newrelationship/default.html>

Governments, communities and industry actors developing new types of partnerships with one another are simultaneously faced with a number of challenges. Some challenges, such as developing processes for solidifying partnerships and managing resources sustainably with the participation of diverse interests, require collaboration among actors at local, regional, provincial and territorial levels. The survey responses indicate how these challenges are fostering new forms of cooperation and initiatives: innovations in training, education, service delivery, economic diversification funds and policy developments.

Partnership-based mechanisms and programs must be flexible to adapt to both expected and unexpected changes. Initiatives



must empower innovations both in how resources are managed and viewed, weighing the potential negative impacts on some economic sectors while creating opportunity in others.

The following is a snapshot of practices that attempt to harness resource development as an important element of economic sustainability. A common thread among many practices is stopping some of the leakages that are currently occurring and increasing the capital available to northerners. In addition to providing increased financial capital, these practices also serve an important role in enhancing human and social capital in the region.

### **Trust and Regional Economic Development Funds**

Alberta established its *Heritage Fund*, a public trust funded by resource revenues, used for various educational, infrastructure and economic diversification projects. This type of approach is common internationally among resource-rich economies.<sup>35</sup> Aboriginal land claim organizations have adopted a combination of trust fund and collective investments, consistent with cultural values, promoting the wellness and prosperity of future generations.<sup>36</sup> The Northern Development Initiative Trust in British Columbia and the Northern Ontario Heritage Fund Corporation are other examples of how government can establish funds aimed at fostering regional economic development, thereby mitigating boom-bust effects of resource development.



By using resource development profits to establish public trusts aimed at economic diversification and capacity building, an economy's sustainability becomes less vulnerable to market forces and economic downturns. Issues gaining in importance nationally and internationally may provide the motivation for trust funds to be utilized in fostering innovation in response to anticipated change.

### **Partnerships with Aboriginal governments and communities**

Aboriginal people and communities have vested interests in promoting long term economic wellness and stability as part of their approach to resource development.<sup>37</sup> Instruments used to achieve these goals may range from economic partnerships between industry and Aboriginal peoples, such as the Aboriginal Pipeline Group in the Northwest Territories, that will see Aboriginal peoples as co-owners of the Mackenzie Gas Pipeline, to education and training partnerships, such as Manitoba's Hydro North Training and Employment Initiative aimed at increasing educational attainment to improve Aboriginal employment possibilities in the hydro sector. Another example would be the Consultation Protocol Agreements made between Treaty 8 First Nations in northeastern British Columbia and the provincial government. These agreements provide a framework for consultation and accommodation associated with proposed work activities in the oil and gas sector.



Partnerships between Aboriginal rights-holders, stakeholders and governments promise to develop social and political norms and frameworks promoting economic stability and sustainability. However, practices around consultation and agreement-making have been neither standardized nor perfected. The current economic slowdown may provide a context for engaging relevant stakeholders in developing best practices with respect to partnering with Aboriginal peoples.



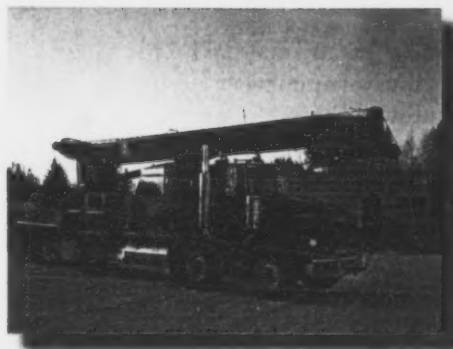
<sup>35</sup> See Robinson, M. and Pretes, M. 1989. "Beyond Boom and Bust: A Strategy for Sustainable Development in the North." *Polar Record* 25.153: 115-20.

<sup>36</sup> See Robinson, Mike, Mark Dickerson, Jack Van Camp, Wanda Wutunee, Michael Pretes, and Lloyd Blinder. 1989. *Coping With the Cash: A financial review of four northern land claims settlements with a view to maximizing economic opportunities from the next generation of claim settlements in the Northwest Territories*. Yellowknife: Special Committee on the Northern Economy; and Irlbacher-Fox, Stephanie, and Stephen J. Mills. 2007. *Devolution and Resource Revenue Sharing in the Canadian North: Fairness Across Generations*. Toronto: the Walter and Duncan Gordon Foundation.

<sup>37</sup> See Ironside, R.G., 2000. "Canadian Northern Settlements: Top-down and bottom-up influences." *Geografiska Annaler* 82B(2): 103-114.

**Impact benefit agreements and socio-economic agreements between industry and Aboriginal peoples, communities, and governments.**

*These agreements assure developers access to resources by providing Aboriginal peoples with participation in and benefits from development. Impact benefit agreements are increasingly common in many northern jurisdictions; for example, agreements between DeBeers and local communities in the Northwest Territories and Ontario that are proximate to diamond mines. The agreements emphasize a range of benefits, from job quota targets, to training, scholarships and funds for cultural activities.<sup>38</sup> Socio-economic agreements with governments and developers provide frameworks for maximizing benefits to regional populations in an attempt to stem economic leakages and are tools available to all governments and communities.*



Impact-benefit and socio-economic agreements provide tools to address Aboriginal social and economic development interests within the contexts of established rights recognition (such as settled land claims) and areas of uncertainty. They accomplish this by enabling rights holders and industry to engage directly in mutually beneficial agreements about how resource development impacts will be mitigated and how benefits will flow to those closest to the resource. Socio-economic agreements between governments, resource companies and communities provide the public with assurances that economic benefits will remain proximate to the communities closest to the resource.



**Mechanisms to support regional economic diversification and development impact mitigation.**

*There are several examples of mechanisms that support regional economic diversification and development impact mitigation throughout Canada. For example, in northern Ontario, the provincial Ministry of Northern Development, Mines and Forestry's Northern Ontario Heritage Fund Corp. (NOHFC) program and the federal government's regional development FedNor Program assist and provide funding for economic diversification. In the Northwest Territories, an impact mitigation fund will be available to communities impacted by the Mackenzie Gas Project. Similar to public trust funds, such funds might be funded in part by resource royalties from development projects. In Nunavut, the government has decentralized its operations to ensure the many geographically dispersed communities benefit from the territory's largest economic sector, the public service.<sup>39</sup> This has resulted in significant economic benefits to both Aboriginal and non-Aboriginal individuals, as well as nearby communities, service-providers and suppliers.*

The diversity of initiatives indicates that there are no rules about how governments, communities and Aboriginal peoples can innovate with respect to sharing benefits among various stakeholders. These examples also indicate that stakeholders can successfully engage in strategies that anticipate benefits in the longer term and that diversification strategies often provide for positive and perhaps less quantifiable benefits; for example, there is a greater sense of possibilities among Nunavut youth who can see tangible opportunities for Inuit achieving higher education degrees and working in the public service in the territory's smaller villages.



<sup>38</sup> See O'Faircheallaigh, C. and Saleem Ali, 2008 (Eds.) *Earth Matters: Indigenous Peoples, the Extractive Industries and Corporate Social Responsibility*, Greenleaf Publishing, Sheffield.

<sup>39</sup> See Vail, Stephen, and Graham Clinton, 2001. *Examination of the Nunavut Economy: Nunavut Economic Outlook*. Ottawa: Conference Board of Canada.



### Common principles

In addition to the survey of relevant literature, reports of successful initiatives provided by survey respondents point to the emergence of several key principles for economic development and resource management in northern Canada. The survey responses and the review of the literature indicated a definite trend toward initiatives and innovations ensuring that, as much as possible, economic leakages are minimized and development benefits accrue to those closest to the resource. Within that trend, the following principles tend to be adhered to, resulting in practices engaging the interests of all parties. These principles would be a logical basis for moving forward on shared initiatives between the various jurisdictions of northern Canada.

### Local resident and community involvement in decision making

Given the North's dependence on resource development by developers often located elsewhere, local stewardship of resources has been difficult to attain. Northern governments do not like to impose requirements aimed at stemming economic leakages that could reduce a region's attractiveness to developers. However, the World Bank, together with resource developers, has articulated principles for ways to approach resource development that promote sound economic and social benefits to local populations (Banta 2007). Specifically, the International Council on Mining and the World Bank, based on reviewing mining projects and practices internationally over a 20-year period, have articulated four "good practice principles" that contribute reciprocally to resource and community development:


- Resource development activities at the operational level are linked to long-term strategic objectives for the company and aligned with existing and future community capacity and/or regional and national objectives;
- Local communities are actively involved in all stages of project conception, design and implementation, including closure and post-closure;
- Private, government, NGO and community organizations (and to these we would add Aboriginal governments) bringing different skills and resources, but shared interests and objectives, can achieve more together than individually. Formal or informal partnerships can also reduce costs, avoid duplication of existing initiatives and reduce community dependency on the mining operation; and,
- Programs that emphasize strengthening of local community, NGO, government (and we would add Aboriginal peoples') capacity are more sustainable in the long term than the supply of cash, materials or infrastructure without a properly designed forward-looking participatory framework.

While infrastructure is often essential for the development of remote communities, it will be sustained only if there is an adequate maintenance program supported by a well-designed participatory process that includes local communities and governments (Banta, 2007). Local engagement increases the potential for development to occur in step with local interests and local aspirations for socio-economic development.



## Sustainability

Economic and resource activity must promote both near and long term benefits to society as a whole. Sustainability requires addressing social, environmental and economic issues holistically throughout the life cycle of initiatives. Importantly, northern development must ensure benefits stay in the North; this echoes the "Adjacency Principle" adhered to



by Newfoundland and Labrador in its approach to development: those geographically closest to a resource must benefit from its development. This principle was originally developed in relation to fisheries, but has since been used to shape approaches to mining and local access to contracting and job opportunities in relation to resource development. In terms of sustainability, the "Adjacency Principle" ensures that when natural resource development benefits stay within the geographic area of its extraction, economic leakages are minimized to the extent possible. This has not only the qualitative psychological and social benefits (senses of hope among youth, economic optimism and civic pride, for example) of local participation in decision making and management of a resource. It also has real potential for stabilizing and diversifying local and regional economies and allowing for both planning and development of strategies supporting sustainable use of either the resource or the benefits flowing from it (for example, by establishing trust funds).



## Stability

Fluctuating commodity prices, non-local capital investment interests, boom and bust market fluctuations and uncertainty of land and resource rights create conditions that can complicate or slow economic initiatives. Establishing mechanisms such as impact benefit agreements, trust funds, partnerships investing in program delivery innovations and educational opportunities are intended to stabilize and provide certainty to local circumstances, promoting conditions for smoother and predictable economic activity. The potential slowing of new resource development projects in the current economic climate provides an opportunity to develop mechanisms for stability across northern jurisdictions without the pressures and distractions created by rapid development as was seen in recent years.







## 7. Conclusion and Recommendations

The economies of Canada's northern communities continue to experience substantial change. New issues such as climate change are adding to previous concerns relating to resource dependence. While the exploitation of natural resources continues to be a central driver of the northern economy, the movement toward greater local control has produced new arrangements that offer potential solutions to many of the problems related to resource dependence. The economic leakages traditionally associated with resource development in the North are being slowed. Through increased empowerment, communities are building the confidence and social and human capital they require to deal with the changes they face.

Federal, provincial, and territorial governments are working closely with Northern communities to help build capacity. Partnerships and new forms of resource management are being developed to engage communities in finding solutions to Northern issues.

The Changing Northern Economies Priority Project has identified the main growth areas and future challenges to growth in northern Canada. It has also shown that the policies and programs that have been the most successful in dealing with these challenges are those based on new partnerships with regional populations and, in particular, Aboriginal communities. While resource development will continue to be important for the North, as new forms of resource management are put into practice, the potential for sustainable economic development in northern communities—through increased community involvement and increased access to human, social, and financial capital—will grow. Common new principles of local involvement in decision-making, sustainability and stability are guiding governments in their efforts to help northerners face the challenges of economic change.

### Changing Northern Economies Priority Project Recommendations

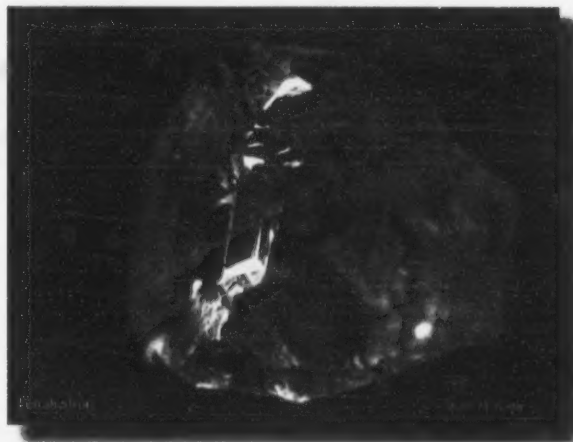
**Building on the findings and questions raised in this report and in an effort to further best practices, the Changing Northern Economies Priority Project Working Group presents the following recommendations to support sustainable social and economic development in Canada's north.**

#### The Working Group recommends that Ministers:

- Accept the Changing Northern Economies Priority Project, requesting that the Senior Officials Working Group circulate the report to appropriate officials and post it to the public site on the Focus North web site.
- Make use of and develop mechanisms that support sustainable economic development such as impact benefit agreements, regional economic diversification strategies, public trust funds, innovation in partnership investments for program delivery and educational and skills development.
- Participate in and encourage partnerships with Aboriginal and non-Aboriginal communities and government.
- Undertake steps and activities to maximize the economic and social benefits of projects to support regional and local populations in the North.
- Promote economic development by harmonizing regulatory decision making mechanisms, such as environmental assessment, across all jurisdictions.
- Support steps aimed at the transfer of province-like responsibility for lands and resource management from the federal government to the governments of the NWT and Nunavut.

#### The Working Group recommends that, in preparation for the Forum, Ministers:

- Request that the Working Group identify and disseminate best practices related to the implementation of impact benefit agreements, public trust funds, and innovation in partnership investments for program delivery as well as explore the role of educational institutions in economic development.
- Request the Working Group build on the 2009 Priority Project to examine long-term economic wellness and stability in the North by supporting an ongoing focus on ways to promote skills and training partnerships with Aboriginal organizations and resource dependent communities.



## References

- Aarsaether, N. and Baerenhold, J.O. (eds.) 1998. *Coping strategies in the North: Local Practices in the Content of Global Restructuring*, Copenhagen: Nordic Council of Ministers.
- Aarsaether, N. and Baerenhold, J.O. (eds.) 2001. *The Reflexive North*, Copenhagen: Nordic Council of Ministers.
- Arctic Council, 2004. *The Arctic Human Development Report* Akureyri: Stefansson Arctic Institute.
- Baerenhold, J.O. and Aarsaether, N. (eds.) 2001. *Transforming the Local*, Copenhagen: Nordic Council of Ministers.
- Banta, Russell. 2007. "The Resource Curse and the Mackenzie Gas Project", in *Policy Options*, Dec 2006-Jan 2007: 80-86.
- Bone, Robert. 2009. *The Canadian North: Issues and Challenges*, Don Mills: Oxford University Press.
- Bone, Robert and Robert J. Mahnic.. 1984. "Norman Wells: the Oil Center of the Northwest Territories", in *Arctic*, Vol. 37, No.1: 53-60.
- Berkes, Fikret and Carl Folke, (eds.) 1998. *Linking Social and Ecological Systems: Management Practices and Social Mechanisms for Building Resilience*. Cambridge: Cambridge University Press.
- Bureau of Statistics. 2008. "Digging Into the Resource Boom: Separating Economic Measures from Economic Benefit". Yellowknife: Government of the NWT.
- Caulfield, Rick, 2004. "Resource Governance", in *Arctic Human Development Report*. Reykjavik: The Arctic Council: 121-138.
- Collier, Paul. 2007. *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It*. London: Oxford University Press.
- Delaney, Roger, Keith Brownlee, and Margaret Sellick. 2001. "Surviving Globalization: Empowering Rural and Remote Communities in Canada's Provincial Norths." *Rural Social Work*. 6.3: 4-11.
- Department of Industry, Tourism, and Investment. 2007. *Economic Review and Outlook 2007*. Yellowknife: Government of the Northwest Territories.
- Department of Finance. 2006. *Charting the Next Course: Background on the Northwest Territories' Economy*. Yellowknife: Government of the NWT.
- Duerden, F. 1992. "A Critical-Look at Sustainable Development in the Canadian North." *Arctic* 45.3: 219-25.
- Duhaime, Gerard. 2004. "Economic Systems", in the *Arctic Human Development Report*, Eds. Oran Young and Niels Einarsson. Akureyri: the Stefansson Arctic Institute.
- Elias, Peter Douglas. 1995. *Northern Aboriginal Communities: Economies and Development*. North York: Captus Press.

Freeman, Milton. 1981. *Proceedings: First International Symposium on Renewable Resources and the Economy of the North*. Ottawa: Association of Canadian Universities for Northern Studies.

Gardner, Peter. 1994. "Aboriginal Community Incomes and Migration in the NWT: Policy Issues and Alternatives." *Canadian Public Policy* 20.3: 297-317.

Halseth, G. et al. 2006. "The Connected North: Findings from the Northern BC Economic Vision and Strategy Project." *Journal of Rural Community Development*. 3.

House, J. D. 1981. "Big Oil and Small Communities in Coastal Labrador: The Local Dynamics of Dependency." *The Canadian Review of Sociology and Anthropology* 18.4: 433-52.

Huskey, L., and T. A. Morehouse. 1992. "Development in Remote Regions - what do we Know." *Arctic* 45.2: 128-37.

Infrastructure Canada. 2006. *Planning for a Soft Landing: Non-Renewable Resource Development and Community Infrastructure in the Northwest Territories*. Ottawa: Research and Analysis Division.

Irlbacher-Fox, Stephanie, and Stephen J. Mills. 2007. *Devolution and Resource Revenue Sharing in the Canadian North: Fairness Across Generations*. Toronto: the Walter and Duncan Gordon Foundation.

Ironside, R.G., 2000. "Canadian Northern Settlements: Top-down and bottom-up influences", *Geografiska Annaler* 82B(2): 103-114.

Nadasdy, P. 2003 "Reevaluating the Co-Management Success Story." *Arctic* 56.4: 367-80.

Natcher, David C., Susan Davis, and Clifford G. Hickey. 2005. "Co-Management: Managing Relationships, Not Resources". *Human organization* 64, no. 3:240-250.

Nassichuk, W.W. 1987. "Forty Years of Northern Non-Renewable Natural Resource Development", in *Arctic*. Vol. 40, No.4, 274-284.

Nunavut Economic Forum, 2008. *2008 Economic Outlook: Our Future to Choose*. Iqaluit: Nunavut Economic Forum.

O'Faircheallaigh, C. and Saleem Ali, 2008 (Eds.) *Earth Matters: Indigenous Peoples, the Extractive Industries and Corporate Social Responsibility*. Greenleaf Publishing, Sheffield.

OECD 2007. "Innovation in Rural Economies: the role of human capital and technology." OECD Rural Policy Conference, Caceres Spain March 21-23, 2007.

Rea, K.J., 1968. *The Political Economy of the Canadian North: An Interpretation of the Course of Development in the Northern Territories of Canada to the Early 1960's*. Toronto: University of Toronto Press.

Rea, K.J., 1976. *The Political Economy of Northern Development*. Science Council of Canada Background Study No. 36. Ottawa: Science Council of Canada.

Robinson, Mike, Mark Dickerson, Jack Van Camp, Wanda Wutunee, Michael Pretes, and Lloyd Binder. 1989. *Coping With the Cash: A financial review of four northern land claims settlements with a view to maximizing economic opportunities from the next generation of claim settlements in the Northwest Territories*. Yellowknife: Special Committee on the Northern Economy.

Robinson, M. and Pretes, M. 1989. "Beyond Boom and Bust: A Strategy for Sustainable Development in the North." *Polar Record* 25.153: 115-20.

Robson, Robert. 1986. *Canadian Single Industry Communities: a Literature Review and Annotated Bibliography*. Sackville, NB: Rural and Small Town Research and Studies Programme, Department of Geography, Mount Allison University.

Saku, James C. 2002 "Modern Land Claim Agreements and Northern Canadian Aboriginal Communities". *World Development* 30, no. 1:141-151.

Senate Committee on Aboriginal Peoples, 2006. *Final Report : Special Study on the involvement of Aboriginal communities and businesses in economic development activities in Canada*. Ottawa: Parliament of Canada.

SENES Consultants, 2005. *2005 NWT Environmental Audit*. Yellowknife: INAC.

Siemeone, Tonina. 2008. "The Arctic: Northern Aboriginal Peoples." PRB 08 – 10E. Ottawa: Social Affairs Division, Library of Parliament.

Southcott, Chris 2006. *The North in Numbers: A Demographic Analysis of Social and Economic Change in Northern Ontario*, Thunder Bay: Centre for Northern Studies Press.

Southcott, Chris 2003. "Différentiation sociale selon les régions dans le Canada de demain : différences tendancielle entre les régions urbaines et régions rurales pour la prochaine décennie," dans *La différenciation sociale : modèles et processus*, sous la direction de Danielle Juteau, Montréal : Les Presses de l'Université de Montréal.

Stabler, Jack, 1989. "Dualism and Development in the Northwest Territories", in *Economic Development and Cultural Change*. Vol. 37. No. 4: 805-839.

Teitelbaum S., Beckley, T., Nadeau, S., and Southcott, C. 2004. "Milltown Revisited: Strategies for Assessing and Enhancing Forest-Dependent Community Sustainability" in *Towards Sustainable Management of the Boreal Forest*, Philip J. Burton, Christian Messier, Daniel W. Smith, and Wiktor L. Adamowicz, eds., Ottawa: National Research Council Research Press, pp. 155-180.

The Sivummut Economic Development Strategy Group. 2003. *Nunavut Economic Development Strategy: Building a Foundation for the Future*. Iqaluit: Government of Nunavut. As accessed April 11, 2009 at [www.nunavuteconomicforum.ca/public/files/strategy/NUNAVUTE.PDF](http://www.nunavuteconomicforum.ca/public/files/strategy/NUNAVUTE.PDF)

Vail, Stephen, and Graham Clinton. 2001. *Examination of the Nunavut Economy: Nunavut Economic Outlook*. Ottawa: Conference Board of Canada.



# Appendices

## Appendix A: Background Document for the Project

### PRIORITY PROJECT THEME NORTHERN DEVELOPMENT MINISTERS FORUM 2009

#### *Changing Northern Economies*

As host for 2009, British Columbia was responsible for proposing the Northern Development Ministers' Forum theme and priority project. This year's theme is "Changing Northern Economies". The project will document current trends, gaps, opportunities and best practices to support the North in managing change. More specifically, the project seeks to answer the question:

#### *How can the North be supported to adapt and benefit from changing northern economies?*

Northern Canada has long experienced change. For at least two centuries the region has witnessed dramatic social, cultural, economic and political transformation. More recent years have seen the intensification of this transformation as internal and external forces are rapidly changing the region's social, ecological and economic dynamics.<sup>40</sup> Action and leadership is required to tackle this transformation continuum which runs the gamut from global issues such as climate change to the intensification of economic globalization.

Whether change can be positive for the individual communities in the region will depend on their ability to adapt. Rather than shielding communities from change, governments can enable communities to become agents of change by focusing on opportunities and not just on the need to compensate for structural disadvantages of northern areas, such as their reliance on single resource based economies. However, in order to play this enabling role, governments must look beyond traditional sectoral approaches<sup>41</sup> to northern development and adopt an integrative place based approach<sup>42</sup> that addresses the particular needs and potential of individual communities.<sup>43</sup> The working group will examine the following themes in the context of the opportunities and challenges created by changing economies:

- **Partnerships** have the potential to increase the capacity of northern communities in addressing the issues they face in developing and maintaining sustainable resilient communities. Economic development partnerships can draw together multiple stakeholders, expanding the bottom line to look beyond purely economic outcomes and include the social, cultural and environmental dimensions of community development. Partnerships also facilitate collaboration between different sectors and across local, regional, provincial and federal domains. In examining the potential of partnerships in northern communities the working group seeks to explore the following

What types of partnerships (regional, local level) have been successful? How was success defined? How have partnerships encouraged resource development? How have partnerships been managed effectively? In what ways have partnerships redefined economic development goals? What have been the benefits and risks of public-private partnerships? How have partnerships with First Nations communities enhanced economic development? How does globalization affect partnerships, the way partnerships are formed and with whom they are formed?

<sup>40</sup> Halseth, G. et al. "The Connected North: Findings from the Northern BC Economic Vision and Strategy Project." *Journal of Rural Community Development*. 3(2006).

<sup>41</sup> Policies based on a "Sectoral Approach" focus on one sector, for example: agriculture, industry, transport, energy, fishing and recreation, rather than forming policy in a more holistic and integrative way.

<sup>42</sup> "Place Based Approach" focuses resources and attention on specific geographic areas to address the issues facing that particular community or region.

<sup>43</sup> OECD "Innovation in Rural Economies: the role of human capital and technology." *OECD Rural Policy Conference*, Caceres Spain March 21-23, 2007.

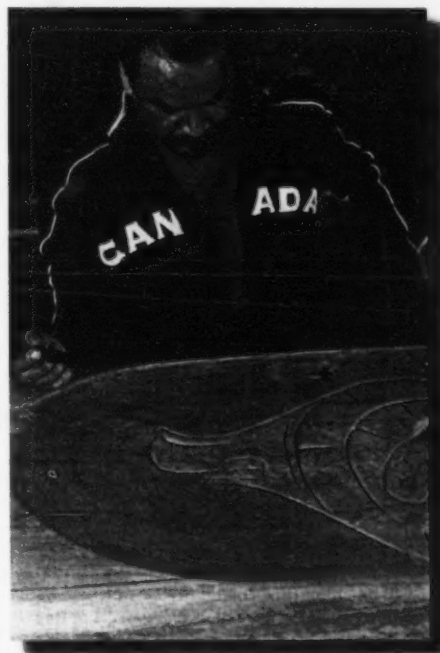
• **Resource Management:** Regional and local northern economies require new approaches to human and natural resource management to deal with their changing societies and environment. Though traditional economies are diversified, they have been marginalized. Today's northern communities are largely dependent on single resource economies, wedged into conventional value chains, which leave their well being vulnerable to fluctuating commodity prices. Resource management must expand to integrate social, technological and cultural capital. The working group seeks to examine how resource management, in this broader context, promotes sustainable community economic development in northern communities, by posing the following questions:

***What obstacles to resource management exist in the North?***

***What strategies have been the most successful in managing human, natural, cultural and social resources? How was success defined? How do communities participate in resource management? How do partnerships affect resource management? How does globalization affect resource management? How do different jurisdictions approach and define resource management?***

British Columbia will chair a working group of interested jurisdictions. Together the working group will develop a jurisdictional survey, and prepare a report incorporating a literature review and the survey results to ultimately provide recommendations of how best to manage changing northern economies.

The project will provide an opportunity for all jurisdictions to examine trends and explore viable options to address the substantial challenges facing northern communities. The study will assist in the development of a vision and plan to guide investment and assist in policy development in support of revitalization in all northern communities.



## Changing Northern Economies - Jurisdictional Survey -

Jurisdiction: \_\_\_\_\_ Key Contact: \_\_\_\_\_

### Northern Economies

Q1. What are the growth sectors of the northern economy in your jurisdiction?

--

Q2. What are some obstacles to further economic development in your northern jurisdiction?

--

Q3. What approaches or specific success stories does your jurisdiction have in overcoming these obstacles?

--

Q4. In the foreseeable future, what are the change drivers in your jurisdiction's northern economy?

--

### Partnerships

Q5. What is the level of success in public, private or co-operative partnerships in your jurisdiction? What examples exist of successful integration between different sectors within your jurisdiction?

--

Q6. Within your jurisdiction, how have partnerships promoted resource development or redefined economic development goals?

--

Q7. How have partnerships with both Aboriginal and non-Aboriginal communities enhanced economic development? Were there any lessons learned from these partnerships?

--



<i>Q6. Within your jurisdiction, how have partnerships promoted resource development or redefined economic development goals?</i>
<i>Q7. How have partnerships with both Aboriginal and non-Aboriginal communities enhanced economic development? Were there any lessons learned from these partnerships?</i>
<i>Q8. How does globalization affect partnerships within your respective jurisdiction: specifically how and with whom are partnerships formed?</i>
<b>Resource Management</b>
<i>Q9. In your jurisdiction, what are examples of successful integration between human, social, ecological, and economic capital?</i>
<i>Q10. In your jurisdiction, what have been the most successful strategies in managing human and natural resources? Is there a particular resource that is more difficult to manage than others? Why??</i>
<i>Q11. What are current obstacles that deter effective resource management in the North?</i>

Completed responses due back to British Columbia by March 2, 2009



**Yukon**



Government of  
Saskatchewan

**Newfoundland  
Labrador**



**Québec**

**Manitoba**



BRITISH  
COLUMBIA  
The Best Place on Earth

*Alberta*  
Progress by Choice Spirit by Nature



Indian and Northern  
Affairs Canada

Affaires indiennes  
et du Nord Canada



**Ontario**